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John Richard Edwards

K. M. Webb

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J. R. Edwards
and
K. M. Webb
UNIVERSITY COLLEGE, CARDIFF

THE DEVELOPMENT OF GROUP ACCOUNTING IN THE UNITED KINGDOM TO 1933

Abstract: The publication of consolidated accounts is an early example of innovative financial reporting procedures being introduced by U.S. companies before they were adopted in the U.K., where Nobel Industries (1922) is generally cited as the first holding company to prepare economic entity based financial reports. This paper produces evidence which shows that the publication of consolidated accounts, by British companies, began at least as early as 1910. Our research nevertheless confirms the generally held view that U.S. developments occurred earlier, and we explore a range of possible explanations for this phenomenon.

Introduction

A major financial reporting development in the United Kingdom, during the first half of the twentieth century, was the publication of consolidated accounts dealing with the combined financial affairs of holding companies and their subsidiaries. Obligations to publish some form of group accounts were introduced during this period by the London Stock Exchange (1939), the Institute of Chartered Accountants in England and Wales (1942) and the Government (1947),¹ and each of these regulatory bodies expected the information to be published as a supplement to the traditional legal entity based accounting reports. Many company directors, recognising the severe limitations of legal entity based financial reports, had much earlier made the voluntary decision to publish group accounting information.

The publication of group accounting information, in the form of consolidated statements, is an early example of innovative financial reporting procedures being introduced by companies in the United States before they were adopted in the United Kingdom. Whereas consolidated balance sheets were "almost universally adopted"² in

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the United States by 1922, in Great Britain their publication remained the exception rather than the rule throughout the 1920s.

Specification of Objectives

This paper has three related objectives.

1. To establish when the need for group accounting reports first arose in the U.K., and for this purpose it will be assumed that a need arose when intercompany shareholdings became a common means of combining business activities.
2. To provide some evidence concerning the rate of adoption of group accounting procedures by British companies.
3. To provide some explanations for the relatively late adoption of group accounting practices by British companies as compared with American companies.

Economic Developments

Many writers have assumed that the slower rate of adoption of group accounting procedures in the U.K. reflects the later introduction of the holding company concept. According to Walker, "Until the 1920s few British companies had used the holding-company form as a means of organising their affairs or carrying out mergers. . . ."³ This section seeks to show that the timelag cannot be so easily explained, since a significant number of British holding companies undertook business activity during the first two decades of the present century through the medium of subsidiary companies.

In both Britain and the United States, the period 1870-1914 saw the emergence of the large scale enterprise based on the amalgamation of hitherto independent concerns. Carter⁴ notes the absence of English texts dealing with this phenomenon prior to 1900, but a literature began to appear around the turn of the century⁵ and it was added to during the period up to the First World War.⁶ This literature deals primarily with the social and economic implications of the merger movement which, during the period 1919-1921, became the subject of Government enquiry.⁷

The absence of a generally accepted definition of the term "holding company," until 1928,⁸ makes it difficult to assess the popularity of intercompany shareholdings as a basis for business combinations. Many early texts confine this description to investment holding companies,^a and often apply the term to those organisations

^aThese are non-operating companies whose assets consist exclusively of shareholdings in other companies. "Industrial holding companies" are also engaged in manufacturing or trading activity.

irrespective of whether their investments comprise majority or minority shareholdings. A further problem is the lack of information concerning the extent of the shareholding implied by the following terms used to describe investments: namely "connected company," "affiliated company," "constituent company," "allied company," and "associated company." The term holding company is used, in this paper, to describe a company which possesses a majority of the voting share capital of another company so as to guarantee control over that latter company's affairs.

The transition from an economy consisting of small, independent concerns competing against one another to an economy in which "competition is no longer a reliable regulator of prices over a very considerable field,"⁹ was fairly gradual, beginning in the 1880s. However, relatively rapid changes occurred in Britain during the periods 1895-1902 and 1916-1922.¹⁰ The holding company form of business combination was prevalent towards the end of the first of these merger periods,¹¹ and was of the industrial type.¹² The formation of a new company solely to hold the shares of existing companies as investments, i.e. the investment holding company, is mentioned as one possible method of business combination,¹³ but it does not seem to have been used much at this stage. According to Liefmann¹⁴ the Nobel Dynamite Trust, a forerunner of Nobel Industries, was an isolated example of an investment holding company prior to the First World War; such companies became more common during the second merger period, 1916-1922.¹⁵

Payne notes that "the merger movement in Great Britain was on a much smaller scale than that experienced in the U.S."¹⁶ Also, the movement towards business combination began earlier in American industry (around 1870) than in British industry and the U.S. experienced a longer period of intense activity 1890-1905,¹⁷ than did the U.K., 1895-1902. However, there are significant similarities between the two countries' experiences. In both countries, merger activity occurred at approximately the same time and the major form of combination, at the height of this activity, was based on intercompany shareholdings.¹⁸ According to the Report of the U.S. Industrial Commission, "in no other country than England is the form of industrial combination so like that generally found in the U.S."¹⁹

Legal Requirements

The Companies Act (CA) 1900 obliged British company directors to present an audited balance sheet to shareholders attending the annual general meeting, while CA 1907 required non-private com-

panies to file an audited statement in the form of a balance sheet with the Registrar of Companies.²⁰ According to Walker,²¹ "The 1907 U.K. Companies Act established definite incentives for the formation of holding companies," since directors, wishing to conceal financial information from investors or the general public, could form a subsidiary company to undertake some of the holding company's business activities. Indeed, exemption from the filing requirement was soon described as the main advantage of incorporating as a private company,²² and the popular practice of forming subsidiary companies to avoid "disclosure of matters relating to what in substance is the business of the parent company"²³ is acknowledged by the Greene Committee (1926). The committee decided not to outlaw the practice, however, concluding that "The system by which a large company departmentalises its business by means of a number of private subsidiaries has been found convenient and beneficial in practice. . . ."²⁴ The stimulus which prevailing legislation provided for the development of the holding company form in the U.K. was absent in the U.S., where corporate accounts remained free from general regulation until the passage of the Securities Acts of 1933 and 1934. The findings presented in this section and the preceding section are inconsistent with the popular idea that the late development of consolidated accounts in the U.K. is attributable to the relative unimportance of the holding company form prior to the 1920s. We therefore believe that alternative explanations (discussed under Some Explanations and Conclusions) are required for the differential rates of adoption of group accounting procedures documented below.

Development of Group Accounting in the United States. Theory and Practice

Hawkins suggests that the wave of mergers which occurred in the United States towards the end of the nineteenth century significantly increased concentration within industries, and that the consequent reduction of competition was responsible for a change in the public's attitude towards business.²⁵ One result was a demand for greater disclosure of financial information in published accounts.²⁶ Writers have cited various American companies, publishing accounts between 1886 and 1899, as the first examples of consolidated accounts,²⁷ but there is general agreement that it was the published report of the United States Steel Corporation for 1902, which Arthur Lowes Dickinson helped prepare, that set new standards both in terms of it being a consolidated statement for a

major organisation and because of the level of disclosure it contained.²⁸

Once started, the publication of consolidated accounts for groups of companies quickly became a common feature of financial reporting procedures in the United States. May²⁹ notes that this practice was soon so well established that in 1917 the Treasury, without specific legislative authority, was able to require consolidated tax returns under the Revenue Act of that year. According to Dickinson,³⁰ speaking in 1924, the publication of a consolidated balance sheet and earnings statement had been "the almost universal practice [of U.S. holding companies] for more than fifteen years." This fact is further evidenced by the regular inclusion of the topic, from 1912 onwards, in the examinations leading to the qualification of Certified Public Accountant.³¹ While conditions in America made some company directors receptive to the idea of consolidated accounts, accountants themselves were largely instrumental in getting them widely accepted.

In lectures delivered³² and books written³³ between 1904-1912, Dickinson, Dicksee, Lybrand, and Montgomery put forward a strong case for the preparation of consolidated accounts by holding companies. This literature cannot be used to explain the initial adoption of consolidated statements by American companies (a development which was already well underway), but it does seem likely that these accountants played an important part in bringing about the widespread use of economic entity based financial statements. Dickinson, Lybrand, and Montgomery were successful American practitioners^b and also leading figures of the American Association of Certified Public Accountants. We can therefore assume that their comments on contemporary accounting practices are reliable and that their conclusions regarding the utility of entity based accounting reports would have attracted serious consideration within the American business community.

Development of United Kingdom Theory

In December 1922, Sir Gilbert Garnsey presented a paper entitled "Holding Companies and their Published Accounts" to the London members of the Institute of Chartered Accountants in England and Wales (ICAEW), and the lecture was subsequently published in

^bDicksee practiced only in Great Britain, and the British version of his famous *Auditing* text did not include a chapter on holding companies until 1924. Dickinson was also British, but he was resident partner in charge of Price Waterhouse & Co.'s New York office, 1901-1913.

both *The Accountant*³⁴ and book form.³⁵ Garnsey pointed out that the holding company form of business organisation, by this time quite common in the U.K., presented new problems for accountants. He doubted whether the publication of a holding company's balance sheet alone, which satisfied the legal requirement for publication contained in the Companies Act 1908,³⁶ "really gives the shareholders the information to which they are entitled."³⁷ Accordingly, he argued that the information appearing in the legal balance sheet should be supplemented by sufficient additional information to enable users of accounts to observe the financial position of the group of companies as a whole.³⁸

The importance of Garnsey's lecture to the development of accounting for British holding company groups, which Kitchen sees as central to that development,³⁹ is essentially a result of its being the first British book on the subject. Parker⁴⁰ acknowledges it as such and *The Accountant*, in a review of the first published edition, describes it as the "first serious examination given to the subject on this side of the Atlantic, for in this respect we are far behind our American cousins," and concludes "this first word will not be the last."⁴¹ In the same vein, Wilkins says that "previously little serious consideration had been given to the form of their [i.e. holding companies'] published accounts."⁴²

The Accountant describes it as "an accountancy classic"⁴³ and Kitchen, more recently, as a "technical *tour de force*,"⁴⁴ both deserved accolades, but the arguments and techniques Garnsey presents were not invented by him. As discussed in an earlier section, the literature on consolidated accounts originated from the United States, and, in fact, most of this material would have been available to accountants in the U.K. long before 1922. Each of the three lectures delivered between 1904-1908 were published in *The Accountant*,⁴⁵ and both the 1904 meeting in St. Louis and the 1908 Congress at Atlantic City were attended by distinguished representatives of the leading British professional bodies.⁴⁶ The books written by Dickinson, Dicksee, and Montgomery were published only in the United States, but some accountants in Britain would have been aware of their existence, for instance through reviews in *The Accountant*,⁴⁷ and they could have obtained copies if they had so desired. In addition, Dickinson wrote an article for *The Accountant* in 1906,⁴⁸ and a further article, written by H. C. Freeman for *The Journal of Accountancy*, was reprinted in *The Accountant* in 1915.⁴⁹ In the same year David S. Kerr delivered a lecture in Canada, which was published in *The Accountant*, stressing "the merits [of consolidated accounts] which cannot be disregarded."⁵⁰

The findings presented in this section show that the theory and mechanics of consolidated statements preparation were established and available to U.K. accountants several years before 1922. This being so, the main significance of Garnsey's lecture is that he set out the conventional wisdom of group accounting in a clear and concise manner, and he did so while a partner in a leading firm of chartered accountants during the course of a lecture delivered to the London members of the ICAEW. We now consider the extent to which group reporting procedures were adopted by U.K. companies up to 1933.

Development of United Kingdom Practice

According to a number of authorities,⁵¹ Nobel Industries Ltd. pioneered the publication of consolidated accounts in the U.K. Perhaps their conclusion is based on the following assertion made by Nobel's chairman, in his 1922 report to the shareholders.

I propose to give you the salient features as at December 1920 in a statement which I think is practically an innovation for large concerns so far as this country is concerned.

The fact that the information published for Nobel Industries was neither innovatory nor, indeed, a consolidated statement in today's parlance is demonstrated in this section.

Tables 1 and 2. Table 1 lists thirty-eight British companies^c for which some form of group accounting procedure had been introduced by 1933 when the published accounts of the Dunlop Rubber Co. Ltd. attracted so much attention. This list is constructed from two sources:

1. Companies cited in certain of the literature (see note A to Table 1) as employing group accounting procedures, twenty-three examples.
2. An examination of the accounts of two hundred and eleven U.K. registered public companies selected, at random, from the non-public utility sections of the *Stock Exchange Official Year Book, 1935*, produced fifteen further examples.^d

^cExcept where otherwise stated, the accounts and records referred to in this section are located at the Guildhall Public Library, London, where they were deposited by the London Stock Exchange.

^dWe might therefore expect that approximately 7% (fifteen companies as a percentage of two hundred and eleven) of all non-public utility U.K. public companies disseminated group accounting information. The proportion would, of course, be higher for a sample confined to holding companies.

The published accounts of the thirty-eight companies were then examined for the period 1900-1933 in order to establish when group accounting procedures were first introduced and whether any changes were subsequently made. Six different schemes of group accounting were identified (see note C to Table 1). Table 2, derived from the data contained in Table 1, lists the number of examples of group accounting methods 1-6, found for each of the years 1910-1933.

Pearson and Knowles Coal and Iron Co. Ltd. The earliest example of a consolidated statement, listed in Table 1, was published by the directors of the Pearson and Knowles Coal and Iron Co. Ltd. The directors first considered the possibility of publishing a consolidated balance sheet in 1907 and a draft statement was prepared. The idea was abandoned but revived in 1910 when the company needed to raise capital to finance the establishment of a new company. A draft copy of the prospectus drew attention to an important limitation of the legal balance sheet, namely that it failed to give a proper indication of the value of the company's investment in Ryland Brothers Ltd., a wholly owned subsidiary. In the Board's view, "the surplus value of its [Ryland Brothers] assets over and above the price paid by the P. & K. Co. for its shares now represents an internal reserve of at least £140,000 [the amount of Ryland Brothers Ltd.'s undistributed profit] no part of which is shown by the P. & K. annual Balance Sheet."⁵²

A consolidated balance sheet, as at 31 December 1909, was included in the prospectus and in the accounts subsequently published for the year to 30 June 1910. Following implementation of a Scheme of Arrangement dated 12 July 1928,⁵³ the directors of Pearson and Knowles reverted to the practice of publishing only the legal balance sheet. By this time the company had become a wholly owned subsidiary of Sir W. G. Armstrong, Whitworth and Co. Ltd. and the ultimate holding company, Armstrong Whitworth Securities Co. Ltd., commenced the practice of publishing a consolidated balance sheet in 1929 (see Table 1).

Pre-Nobel Industry developments. Prior to 22 September 1922, when the directors of Nobel Industries first published group accounts, companies experimented with five of the six procedures identified in Table 1. Seven examples are given of companies employing the "equity basis" of accounting for investments (Method 1). There are three examples of companies circulating the published accounts of subsidiaries together with their own statutory accounts (Method 2), while British Dyestuffs is the single example of a holding company publishing a statement which combines the

assets and liabilities of subsidiaries (Method 3). Four companies published consolidated balance sheets instead of legal entity based financial statements (Method 5), and one of these companies, United British Oilfields of Trinidad, also published a consolidated profit and loss account. Three companies published consolidated statements on a supplementary basis (Method 6), including the Meadow Dairy group of companies which presented both a consolidated balance sheet and consolidated profit and loss account to the annual general meeting held on 28 March 1923.

No attempt is made in this study to undertake a detailed evaluation of the consolidated accounting procedures employed by directors purporting to publish economic entity based financial reports. Most of the research has been confined to published accounts and these rarely provide any indication whether essential adjustments, such as the elimination of intragroup profits and trading debts, have been made. Other information needed for a constructive criticism of procedures followed, e.g., whether there exists a minority interest and whether the shares were acquired at the subsidiary company's incorporation or later, is also unlikely to be given.

The Nobel Industries example. A statement displaying the assets and liabilities of the Nobel Industries group (Method 4) was contained in the chairman's report presented to shareholders on 22 September 1922. The document sets out the financial position of the group at 31 December 1920 and was contained in the chairman's report on the statutory accounts for 1921. The statement is described as an "aggregate document" and the figure for "Cost of Shares of Constituent Companies," contained in the statutory balance sheet, is replaced by "the actual detailed assets and liabilities of these companies." The document identifies the portion of net assets applicable to outside shareholders, but it is unaudited and contains calculations of neither goodwill nor the distributable profits of the group. Sir Joseph Stamp, a leading economist and stern critic of the secretive accounting practices employed during the 1920s,⁵⁴ was secretary of Nobel Industries and we might expect that he had some influence in improving the reporting practices employed by his company.

Post-Nobel Industries developments. Twenty-five examples are given in Table 1 of companies publishing group accounting information between the date of Nobel's aggregated statement and the Dunlop Rubber Company accounts for 1933. Table 2 shows the relative popularity of the various methods and the way that their popularity changed over time.

One noticeable feature is the growth and decline in popularity of the equity method (Method 1) of accounting for the results of subsidiary companies. Companies which adopted the equity basis, and took credit in their statutory accounts for an appropriate share of the undistributed profits of subsidiaries, included Lever Brothers, one of the largest British conglomerates at this time. This company's chairman, F. D'Arcy Cooper, argued strongly against the proposal to require holding companies to publish consolidated accounts in evidence presented to the Greene Committee,⁵⁵ and it has been suggested⁵⁶ that the views he presented were influential in persuading the Committee not to recommend the introduction of compulsory group accounting requirements.

The decline in popularity of equity accounting for investments, from 1929 onwards, is interesting. In Walker's view⁵⁷ reaction against the recognition of unrealised profits and reversion to a cost-based valuation was attributable to the mood of conservatism which followed revelations in the *Royal Mail* case. This is probably part of the explanation but it is not entirely convincing. Although equity accounting allows full recognition of profit earned, it also requires full provision to be made for the holding companies' share of any losses suffered by subsidiary companies. The equity method is therefore much less open to abuse than the cost-based valuation of investments which recognises revenue on the basis of dividends received and allows losses to be ignored. An alternative explanation for the decline in popularity of equity accounting is the failure of the Greene Committee or CA 1928 to provide any support for this method. Indeed, section 40(1) of the Company Act 1928, which made it clear that the published balance sheet should contain information concerning the assets and liabilities of "the company," may have been interpreted as requiring the exclusion of undistributed profit representing property belonging to subsidiaries.

The demise of method 5 (publication of a consolidated balance sheet only) can certainly be attributed to the provisions of CA 1928. Section 40(4) obliged the directors of holding companies to show, in the balance sheet, separate figures for shares in subsidiary companies and total debts due to and due from subsidiary companies. Clearly this information could be accommodated only by publishing legal entity based accounting reports.

A further trend which emerges from an examination of Table 2 is the continuous growth in popularity of method 6. In 1920, only one of the companies examined, Scottish Union National Insurance Co. Ltd., published a supplementary consolidated statement and, at that date, three other methods were more popular. During the 1920s,

the number of companies employing method 6 grew quite rapidly, though it is not until 1928 that it becomes the most popular group accounting procedure, replacing method 1. By 1933 it was the dominant form of group accounting report, and reaction against methods 1 and 5 substantially explains the increased popularity. Both companies employing method 5 in 1928 switched to method 6 the following year; while three of the companies employing method 1 in 1928 had transferred to method 6 by 1933.

Findings in this section show that, although companies publishing group accounting information remained very much in the minority during the period examined, a wide range of methods of accounting for the results of subsidiary companies was in use by the early 1930s, and the number of companies employing group reporting procedures were clearly not insignificant. The earliest example discovered was the consolidated balance sheet published for the Pearson and Knowles group of companies in 1910, but there are eleven other instances of companies publishing group accounting information before Nobel Industries published its aggregate statement of assets and liabilities, and these included four further examples of consolidated accounts.

Some Explanations and Conclusions

The evidence presented in the section on Economic Developments, which led us to conclude that an apparent need for group accounts emerged in the U.K. at about the same time as in the U.S., is summed up by Payne who says that "the British merger movement occurred in the early 'nineties and at the turn of the century, almost simultaneously with that of the United States."⁵⁸ The thesis is developed further in the section on Legal Requirements which draws attention to prevailing legislation conducive to the holding company form. The section on Development of United Kingdom Practice demonstrates the existence of a significant time lag before British corporate reporting procedures responded to the developing need for group accounts, but the evidence also shows that companies were preparing group accounts, including consolidated statements, earlier than has been generally supposed. A full explanation for the observed time lag is not attempted in this paper. However, we make some suggestions which should help towards a resolution of the problem.

Technical Competence. A precondition for the adoption of group accounting procedures is the existence of an ability on the part of accountants to apply these techniques in practice. We might expect

accountants to have obtained the necessary expertise during their training if they were required to include this topic in their studies for the professional accounting examinations. The examinations of the ICAEW first referred to the holding company form in 1914, when question 3 on the "Bookkeeping and Accounts" paper required candidates to prepare the opening balance sheet of an investment holding company formed to acquire the shares of two existing companies. In 1915, a question⁵⁹ examined candidates' knowledge of the legal relationship which exists between a holding company and its three subsidiaries, but it was not until 1925 that questions which required candidates to prepare a consolidated balance sheet were regularly included.⁶⁰ The absence of readily available texts which could be used by students preparing for their examinations is referred to in the earlier section on Development of United Kingdom Theory, and the lack of available material is the subject of correspondence in *The Accountant* in 1935.⁶¹

Some support for the idea of a possible link between the slow development of group reporting procedures and a lack of professional competence may also be found in the evidence presented to the Greene Committee. According to one witness the "infrequent use of consolidated reports was due to the fact that they were difficult to prepare."⁶² This is a little surprising since the aggregation of the results of departments and self accounting branches, in order to produce legal entity based reports, was a routine accounting process. The preparation of consolidated accounts is, of course, a rather more complex process, but not the preparation of an aggregate statement of assets and liabilities for the group, apparently the reporting method favoured by British accountants in the early 1920s.⁶³

Demand for Group Accounts. There existed a potential need for group accounts in the U.K., from the early years of this century, but it is probably true to say that the need was not so great as in the U.S. In the U.K. merger activity had been less intense and it is likely that investments accounted for a lower proportion of total assets than was the case in the U.S. companies. Moreover, it was only during the second wave of merger activity, 1916-1922, that the investment holding company was much used as a means of effecting the desired degree of business combination in the U.K., a development which is likely to have focused attention more clearly on the need to revise traditional legal entity based reporting procedures. In the industrial holding company, the implications of inter-company shareholdings for the usefulness of accounting reports is less evident since a significant proportion of total balance sheet

values often continues to consist of conventional operating assets. The asset structure of the investment holding company represented a much sharper break with tradition and, at a time when the balance sheet was still regarded as the principal accounting report designed to display corporate financial strength, a document consisting primarily of figures representing the book value of investments in other companies might have been thought to possess significant drawbacks.

The information requirements of the British public do appear to have been less demanding than those of its American counterpart.⁶⁴ This reflects the British tradition of allowing the directors a free hand to manage the company's affairs, and not to saddle them unnecessarily with disclosure requirements which might hamper entrepreneurial initiative. According to the ICAEW (1925), "if in some cases they [the directors] disclose in the published accounts less than some people desire the absence of detail is in most cases wise and is generally supported by the Shareholders. To give in a Balance Sheet such detailed information as would afford full protection to creditors might mean the giving of a mass of detail of material value to competitors."⁶⁵ In Britain, the shareholders were often expected to rely on the auditors to protect their interests⁶⁶ and/or to obtain the desired information by asking pertinent questions at the annual general meeting.⁶⁷ Nevertheless, those directors who decided to publish group accounting information, generally stressed the utility to shareholders of the additional data.⁶⁸

Management Opposition to Disclosure. The general reluctance of British management voluntarily to publish group accounting information is an important factor explaining the relatively slow rate of adoption of those procedures in Britain as compared with the United States. Garnsey, writing in 1931, refers to the growing demand for consolidated statements since the first edition of his book, published in 1923, but observes that "perhaps the real opposition to any but the most essential changes in the form of the published accounts often comes from boards of directors who are not all imbued with the desire to give their shareholders as much information as possible."⁶⁹

Stacey attributes the more open reporting practices of American companies to their directors' desire to engender confidence within the capital market and thereby help to attract the scarce resources available for investment.⁷⁰ Stacey also claims that U.S. managers were far less wary of competitors than were their British counterparts who have traditionally maintained that disclosure would be advantageous to competitors and therefore detrimental to the com-

pany's long term interests. This argument is not, however, a convincing objection to consolidated accounts, since their function is to summarise overall progress and not to provide details regarding achievements in individual areas.

We believe that a more persuasive explanation for management's opposition to consolidated accounts recognises the fact that during this period secret reserves, as a means of fostering financial stability, were highly regarded. Subsidiary companies provided considerable scope for smoothing the holding company's trend of reported profits, and the earlier section on Legal Requirements produces evidence which shows that a great deal of business activity was structured in this way primarily for the opportunities for concealment which it offered.

The Accountants' Reluctance to Innovate. Company accounts are primarily the directors' responsibility, but accountants undoubtedly exert an influence on the form and content of these statements. Parker suggests⁷¹ the existence of a psychological barrier which, in the early years of this century, may have discouraged British accountants from adopting group accounting procedures developed in the United States. Accounting skills were transferred to the United States by representatives of British accounting firms during the last decades of the nineteenth century,⁷² but the accounting profession developed quickly in America and an element of rivalry between the two countries soon emerged. The British profession, possessing a longer tradition and, in its view,⁷³ a more professional and less commercial attitude towards accounting, may well have been unreceptive to ideas developed by its former student.

The reluctance of British accountants to adopt innovative practices is discussed in a letter⁷⁴ published in *The Accountant* in 1903:

While the British accountant is fully the equal of the American practitioner in thorough and conscientious work, he is, as it seems to me, hampered by his conservatism and by his reluctance to depart from the beaten path . . . I believe it to be the fact that whatever progress has been made in America in the creation of a wider field of usefulness for accountants has been due . . . largely to the enterprise and aggressiveness of the American accountant.

The correspondent does acknowledge the fact that the British accountant is "hampered by the conservative and 'let well alone' policy of his clients"; a view shared by Garnsey who claimed that "the natural reluctance of the people of this country to change is too well known to require any explanation."⁷⁵ No attempt is made here

to rank managers and accountants in order of responsibility for the slow rate of adoption of group accounting procedures, but it does seem that British accountants took on a less vigorous role than might have been expected. Whereas leading practitioners made an important contribution to developments in the United States, for a long time in Britain they remained silent, at least in public. The first practitioner to make a determined attempt to awaken the conscience of the British accounting profession was Garnsey, but practitioners were reluctant to respond to his ideas even at that late stage.⁷⁶

Legal Barriers. Evidence suggests that company directors considered it illegal to publish a consolidated statement instead of a legal entity based financial report. According to Garnsey, "The consolidated Balance Sheet is seldom published alone in this country, no doubt for the reason that it is not regarded as the legal Balance Sheet."⁷⁷ While in the chairman of Nobel Industries' view:

. . . so long as they [the subsidiaries] remain separate legal entities as distinct companies we are not entitled to put in our Balance Sheet the land, buildings, etc. they own, but can, perforce, only indicate the shares we hold at what was given for them in our own Share Capital and Cash. (1922 report).

We have seen that some directors were less inhibited and Table 1 shows that three companies employed group accounting method 5 throughout much of the 1920s. At Pearson and Knowles, the decision to publish only a consolidated balance sheet was preceded by a careful examination of the likely implications, though the advice received from their solicitors seems to have been ignored. John J. Bleckly, a director of the company, wrote to A. Norman Hill of Hill, Dickinson & Co., the company's solicitors, enquiring whether there was any legal objection to the proposed course of action.⁷⁸ In reply Hill informed Bleckly, "your Official Balance Sheet . . . called for under Articles 152 and 153 and returned to Somerset House" should include only the assets and liabilities of the Pearson and Knowles company.⁷⁹

Prior to 1929, there existed no general legal requirement that the balance sheet presented to shareholders should be confined to the strict legal entity, but this obligation was usually implied by the company's articles. For instance, Pearson and Knowles' article 152 required the balance sheet to set out the "property and liabilities of the company."⁸⁰ As regards the filing requirement, it does seem that CA 1908, section 26(3), implied a legal obligation for directors

to deliver a legal entity based balance sheet to the Registrar, then located at Somerset House. Nevertheless, Garnsey doubted whether "the authorities could or would refuse to accept Balance Sheets prepared in the consolidated form . . . and within the writer's [Garnsey's] experience they have been accepted."⁸¹

There are examples of consolidated balance sheets instead of legal balance sheets being presented to members and, according to Garnsey, even submitted to the Registrar,⁸ but CA 1908 makes it clear that the filed document should contain "a summary of its [the company's] share capital, its liabilities and its assets."⁸² If, therefore, management took the view that a single balance sheet should be published and that the same document should be filed with the Registrar, as was presented at the annual general meeting,^f it is likely that the prevailing legal position militated against the publication of a consolidated statement.⁸³ It must be added, however, that directors were under no obligation to use the same balance sheet for both purposes, and they were perfectly free to publish both a legal balance sheet and a consolidated statement if they so desired. The situation was changed by CA 1929 which, according to Counsel,⁸⁴ made it clear that the legal balance sheet should not only be filed with the Registrar but also be presented to shareholders.

The preoccupation of the auditing profession with its strict legal obligations, prior to the 1930s,⁸⁵ is a further factor which is likely to have worked against the publication of consolidated accounts. The profession's attitude is summed up by the American Certified Public Accountant who claimed that "He [the British accountant] takes a narrow view of the legitimate scope of his operations, and is fearful of going outside the traditional limits, lest by doing so he should provoke criticism and suffer any loss of the dignity which is so dear to the heart of the British professional man."⁸⁶ This view receives some support from our research. The final column of Table 1 indicates whether or not the auditors reported on the group accounting information. Of the fifteen companies publishing either an aggregate statement of assets and liabilities or consolidated

^eWhether or not the directors of Pearson and Knowles filed the legal balance sheet with the Registrar cannot be confirmed owing to the fact that after a certain period of time has elapsed the files of defunct companies are destroyed, subject to the retention of a sample for historical purposes.

^fIt was common practice for directors to withhold, from the Registrar, financial reports presented to shareholders which they were not legally required to file. Those documents which were filed, however, were rarely amended despite the fact that they contained data significantly in excess of strict legal requirements, Edwards (1981), Table 6 and pp. 12-15.

accounts as supplements to the legal entity based report (Methods 3 and 6), only for seven was the group accounting information commented on by the companies' auditors.

Creditors' Requirements. The primary purpose of consolidated accounts is to provide the holding company's shareholders with a realistic measure of the extent of their interest in an economic entity which may comprise a number of legally distinct companies. For the creditors of either holding companies or subsidiaries the consolidated balance sheet is of little use; indeed it may be positively misleading. Creditors usually enter into contracts with the *company* and their claims will be restricted to the assets of the legal entity which has received the money or goods. The consolidated balance sheet does not list separately the assets of individual companies and this makes it impossible for creditors to identify the resources available for repayment of amounts due to them.

This limitation on the value of the consolidated balance sheet was given scant attention by early American advocates of consolidated accounting procedures. Dickinson's 1913 text makes a passing reference⁸⁷ to the fact that consolidated accounts are of little use to the creditors and minority shareholders of subsidiary companies. Other American publications were uniformly uncritical of the new technique and emphasised only its attributes.⁸⁸ The situation was quite different in the U.K., and the numerous practical difficulties associated with consolidated accounting reports were emphasised time and again in evidence presented to the Greene Committee.⁸⁹ It seems likely that this awareness of the limitations of more detailed statements partly explains the slow adoption of consolidated reporting procedures and, also, the fact that when adoption did occur it was a supplement to, rather than a replacement for, legal entity based reports.

Summary

According to Walker⁹⁰ it was "in 1922 [that] British accountants began experimenting with the use of consolidated statements." We have seen that experimentation occurred much earlier but that the rate of adoption was slow. Suggested explanations for this state of affairs include the absence of a widespread demand for consolidated statements, managerial predilection in favour of secrecy, prevailing legal requirements, the failure of consolidated statements to satisfy the information requirements of creditors, and the reluctance of accountants to adopt innovatory reporting procedures, perhaps reflecting a lack of professional competence on their part. At a time when many directors, company law and even shareholders

favoured confidentiality in financial matters, some powerful external stimulus was needed if companies in general were to publish consolidated accounts. Part of the required stimulus was provided by the Garnsey lecture. Its contribution was not so much the technical content; it had all been said before and there were U.K. companies already employing the procedures which he described. More important was the fact that Garnsey was a leading professional accountant, thoroughly convinced of the value of group accounts, vigorously expressing these views to the London members of the ICAEW. For these reasons the lecture attracted a great deal of publicity and comment but, as Kitchen clearly demonstrates,⁹¹ the immediate effect was not the widespread adoption of group accounting techniques. The evidence presented to the Greene Committee, and accepted by that committee, reveals powerful forces opposed to the statutory imposition of group accounting requirements.

The voluntary adoption of group accounting techniques, which began at least as early as 1910, continued throughout the 1920s and 1930s. During the 1920s, in particular, companies experimented with a wide range of group reporting procedures. Some methods, including the American procedure of publishing consolidated statements instead of legal entity based financial reports, were rejected, others never gained significantly in popularity. The trend towards the publication of supplementary consolidated statements was continuous, but other methods which could not be accommodated comfortably within the developing legal framework fell out of favour. In the early 1930s *The Accountant*, which had earlier been critical of economic entity based reports, enthusiastically encouraged the growing practice of holding companies publishing consolidated statements.⁹² Also, revelations in the *Royal Mail* case awakened the accounting profession to the existence of a moral as opposed to a purely legal responsibility towards its clients. It is the significance of the *Royal Mail* case for the use of secret reserves which has received the bulk of the accounting historian's attention, but it should not be forgotten that the case involved an intricate web of companies which, in the absence of any requirement to publish consolidated statements, provided scope for materially misrepresenting the group's financial position. In Walker's view⁹³ "the *Royal Mail* case was a major factor in encouraging the publication of consolidated statements." Certainly this case, together with the widely acclaimed reporting procedures introduced at the Dunlop Rubber Co. Ltd. for 1933, provided additional stimuli for the adoption of entity based financial reports.

Table 1
Reporting Procedures of Selected Holding Companies

Company	Source (A)	Date of AGM (B)	Year End	Group Account- ing Method (C)	Changes in Group Accounting Method	Other Notes (D)	Auditor of Holding Company	Auditor Reports on Group Account- ing Data
Pearson and Knowles Coal and Iron Co. Ltd.	Edwards	Sept. 1910	June 1910	5	Method 5 discontinued, 1928.		Blease & Sons	Yes
General Accident, Fire and Life Assurance Co. Ltd.	Stock Exchange	April 1911	Dec. 1910	5	Method 5 replaced by method 6, 1929.		Marwick & Mitchell	Yes
Anglo Dutch Plantation of Java Ltd.	Garnsey, 1923	Sept. 1912	Dec. 1911	1 & 2	Method 1 discontinued, 1933, when method 6 was adopted.	Profit and loss account of sub- sidiary also published	Deloitte, Plender, Griffiths & Co.	Yes (1911-32) (E)
Orchestrelle Co. Ltd. (name changed to Aeolion Co. Ltd., 1921)	Garnsey, 1923	Dec. 1913	June 1913	6	Method 6 abandoned, 1914, reintroduced, 1922.		Price, Waterhouse & Co.	No
Scottish Union National Insurance Co. Ltd.	Stock Exchange	May 1915	Dec. 1914	5	Method 5 replaced by method 6, 1915.		J. Hamilton Buchanan	Yes
General Guarantee Corporation Ltd.	Stock Exchange	Feb. 1918	Sept. 1917	1	Method 1 discontinued, 1930.		Black, Stewart & Co.	Yes
Van Den Berghs Ltd.	Stock Exchange	Jan. 1920	June 1919	1	Method 1 discontinued, 1929.		Price, Waterhouse & Co.	Yes
British Dyestuffs Cor- poration Ltd.	Garnsey, 1923	May 1920	Oct. 1919	3	Method 3 discontinued, 1924, following liqui- dation of subsidiary.		Thompson, McLintock & Co.	No

Table 1 (Continued)
Reporting Procedures of Selected Holding Companies

Company	Source (A)	Date of AGM (B)	Year End	Group Account- ing Method (C)	Changes in Group Accounting Method	Other Notes (D)	Auditor of Holding Company	Auditor Reports on Group Accounting Data
United British Oil-fields of Trinidad Ltd.	Garnsey, 1923	Nov. 1920	Dec. 1919	1	Method 5 adopted, 1920, discontinued, 1929. Method 6 adopted, 1930 discontinued, 1932, following liquidation of subsidiary.	Consolidated profit and loss account also published, 1930-1932	Price, Waterhouse & Co.	Yes
Midland Bank Ltd.	Garnsey, 1931	Jan. 1921	Dec. 1920	1 & 2	Method 1 discontinued, 1929 when method 6 was adopted in addition to method 2.		Price, Waterhouse & Co.	Yes (E)
Goodsons Mantle and Costume Co. (1920) Ltd.	Stock Exchange	Nov. 1921	Jan. 1921	1 & 2	Method 1 discontinued, 1929.		Goddard, Dunkley, Davie & Fryer; Halliday, Pearson & Co.	Yes (E)
Meadow Dairy Co. Ltd.	Garnsey, 1923	March 1922	Jan. 1922	1 & 6	Methods 1 and 6 discontinued, 1930.	Consolidated profit and loss account also published	Blackburn, Barton, Mayhew & Co.	Yes (Method 1 only)
Nobel Industries	The Accountant	Sept. 1922	Dec. 1920	4		Statement contained in chairman's report	W. B. Peat & Co.; Thompson, McLintock & Co.	No
Lever Brothers Ltd.	Simons	April 1923	Dec. 1922	1			Cooper Brothers & Co.	Yes

Table 1 (Continued)
Reporting Procedures of Selected Holding Companies

Company	Source (A)	Date of AGM (B)	Year End	Group Account- ing Method (C)	Changes in Group Accounting Method	Other Notes (D)	Auditor of Holding Company	Auditor Reports on Group Account- ing Data
William Melhuish (Properties) Ltd.	Stock Exchange	April 1925	Dec. 1924	2	Method 2 replaced by method 3, 1928. Method 3 replaced by method 1, 1929. Method 1 replaced by method 3, 1931.		Jackson, Pixley & Co.	Yes (E)
Spillers Ltd.	Stock Exchange	May 1925	Jan. 1925	6	Method 6 discontinued, 1928, following liqui- dation of subsidiary.		Impey, Cud- worths, Lakin- Smith & Grade; Deloitte, Plender, Griffiths & Co.	No
Ebbw Vale Steel and Iron Co. Ltd.	Edwards, 1981	June 1925	March 1925	3	Method 3 replaced by method 6, 1930.	Consolidated profit and loss account also published from 1930	Peat, Marwick, Mitchell & Co.	Yes
Jute Industries Ltd.	Stock Exchange	Jan. 1926	Sept. 1925	6	Method 6 replaced by method 3, 1929. Method 3 discontinued, 1932, following liquidation of subsidiaries.		Dewar and Robertson	Yes
English Electric Co. Ltd.	Stock Exchange	April 1926	Dec. 1925	6		Consolidated profit and loss account also published	Gano, Jackson, Jefferies & Freeman	Yes

Table 1 (Continued)
Reporting Procedures of Selected Holding Companies

Company	Source (A)	Date of AGM (B)	Year End	Group Accounting Method (C)	Changes in Group Accounting Method	Other Notes (D)	Auditor of Holding Company	Auditor Reports on Group Accounting Data
Agricultural and General Engineers Ltd.	The Accountant	July 1926	March 1926	4	Method 6 adopted, 1927, but method 4 not discontinued until 1931.	Combined profit and loss account for subsidiaries also published, 1926-1930	Price, Waterhouse & Co.	No
Vickers Ltd.	Garnsey, 1923	April 1927	Dec. 1926	6	Method 6 discontinued, 1929. Method 2 adopted, 1930.		Peat, Marwick, Mitchell & Co.; Deloitte, Plender, Griffiths & Co.	Yes (1930-33) (E)
Parana Plantations Ltd.	Stock Exchange	May 1927	Dec. 1926	2	Method 2 replaced by method 6, 1933.		McAuliffe, Davies & Hope	Yes (E)
United Molasses Ltd.	Garnsey, 1931	April 1929	Dec. 1928	6		Consolidated profit and loss account also published	Price, Waterhouse & Co.	No
G. D. Peters & Co.	Stock Exchange	April 1929	Dec. 1928	6			Davie, Parsons & Co.	Yes
Hutchinson & Co. (Publishers) Ltd.	Stock Exchange	May 1929	Dec. 1928	1	Method 1 replaced by method 6, 1930.	Consolidated profit and loss account published from 1927	Charles Comins & Co.	Yes (Method 1 only)

Table 1 (Continued)
Reporting Procedures of Selected Holding Companies

Company	Source (A)	Date of AGM (B)	Year End	Group Account- ing Method (C)	Changes in Group Accounting Method	Other Notes (D)	Auditor of Holding Company	Auditor Reports on Group Account- ing Data
Armstrong Whitworth Securities Co. Ltd.	Garnsey, 1931	May 1930	Dec. 1929	6			Price, Waterhouse & Co.	No
Commercial Union Ltd.	Garnsey, 1931	May 1930	Dec. 1929	6			A. Dodds Fairbairn; Charles E. Fletcher	Yes
Cable and Wireless Ltd.	Garnsey, 1931	July 1930	Dec. 1929	6			Deloitte, Plender, Griffiths & Co.; Price, Waterhouse & Co.	No
Kawie (Java) Rubber Estates Ltd.	Stock Exchange	July 1930	March 1930	2 & 6	Methods 2 and 6 re- placed by method 5, 1933.	Consolidated profit and loss account also published 1930-32	Wyatt, Williams & Co.	Yes (E)
International Sleeping Car Share Trust Ltd.	Stock Exchange	July 1930	May 1930	2			Peat, Marwick, Mitchell & Co.	Yes (E)
Aerated Bread Co. Ltd.	Garnsey, 1931	Dec. 1930	Sept. 1930	3			Gibson, Harris, Prince & Co.	Yes
Tube Investments Ltd.	Garnsey, 1931	Dec. 1930	Oct. 1930	4			Gibson & Ashford	Yes

Table 1 (Continued)
Reporting Procedures of Selected Holding Companies

Company	Source (A)	Date of AGM (B)	Year End	Group Account- ing Method (C)	Changes in Group Accounting Method	Other Notes (D)	Auditor of Holding Company	Auditor Reports on Group Account- ing Data
Turner and Newall Ltd.	The Accountant	Dec. 1931	Sept. 1931	6			Deloitte, Plender, Griffiths & Co.	Yes
Amalgamated Metal Corporation Ltd.	The Accountant	May 1932	April 1932	6			Deloitte, Plender, Griffiths & Co.	Yes
Richard Thomas and Co. Ltd.	Edwards, 1981	Nov. 1932	March 1932	6		Consolidated profit and loss account also pub- lished from 1933	Peat, Marwick, Mitchell & Co.	Yes
Ind Coope & Co. Ltd.	The Accountant	Nov. 1932	Sept. 1932	3			Whinney, Smith, Whinney & Co.	Yes
Parkinson and Cowan Ltd.	Stock Exchange	May 1933	Dec. 1932	3			Cash, Stone & Co.	No
Dunlop Rubber Co. Ltd.	Simons	May 1934	Dec. 1933	6		Consolidated profit and loss account also published	Stokes Brothers and Pim; Whinney, Smith & Whinney	Yes

Table 1 (Continued)
Reporting Procedures of Selected Holding Companies

Notes:

- A. The authors' attention was drawn to the fact that these companies published group accounting information, at some time prior to 1934, by the following sources: J. R. Edwards, 1981; Sir Gilbert Gamsey, 1923 and 1931; A. J. Simons and the "Finance and Commerce" section of contemporary issues of *The Accountant*. In addition, a random selection of two hundred and eleven companies from the *Stock Exchange Official Year Book*, 1935, produced a further fifteen examples.
- B. Companies have been listed in the date order of annual general meetings at which the financial information relating to subsidiary companies was first reported.
- C. The following coding has been used:
- 1—Profits earned by subsidiaries accounted for on the accruals basis in the holding company's statutory accounts.
 - 2—Balance sheets of subsidiaries also published.
 - 3—Combined statement of assets and liabilities of subsidiaries published in addition to the holding company's statutory accounts.
 - 4—Combined statement of assets and liabilities of group published in addition to the holding company's statutory accounts.
 - 5—Consolidated balance sheet published instead of the holding company's statutory accounts.
 - 6—Consolidated balance sheet published in addition to the holding company's statutory accounts.
- D. Information is given, where necessary, to elaborate the coding 1-6.
- E. Where method 2 is employed the subsidiary company's accounts are normally reported on by the subsidiary companies' auditors.

Table 2
Numbers of Companies Employing Group Accounting Methods 1-6, 1910-1933

Accounting Year	Method 1	Method 2	Method 3	Method 4	Method 5	Method 6	Total
1910	0	0	0	0	2	0	2
1911	1	1	0	0	2	0	4
1912	1	1	0	0	2	0	4
1913	1	1	0	0	2	1	5
1914	1	1	0	0	3	0	5
1915	1	1	0	0	2	1	5
1916	1	1	0	0	2	1	5
1917	2	1	0	0	2	1	6
1918	2	1	0	0	2	1	6
1919	4	1	1	0	2	1	9
1920	4	2	1	1	3	1	12
1921	5	3	1	1	3	2	15
1922	7	3	1	1	3	3	18
1923	7	3	2	1	3	3	19
1924	7	4	1	1	3	3	19
1925	7	4	1	1	3	6	22
1926	7	5	1	2	3	7	25
1927	7	5	1	2	3	8	26
1928	8	4	2	2	2	9	27
1929	6	4	2	2	0	11	25
1930	3	7	2	3	0	14	29
1931	2	7	3	2	0	15	29
1932	2	7	4	2	0	16	31
1933	1	5	4	2	1 (A)	18	31

Source: Data derived from Table 1

Note A. The section in the text on Development of United Kingdom Practice explains that Method 5 was outlawed in 1928, and no rationale has been found for the adoption of this method by Kawie (Java) Rubber Estates Ltd. in 1933.

FOOTNOTES

¹Edwards (1981), pp. 2-3 gives details of these requirements.

²Garnsey (1923a), p. 54.

³Walker, p. 113.

⁴Carter, pp. 8-9.

⁵Credwson. Hubbard. Macrosty (1902). White.

⁶Levy. MacGregor. Macrosty (1907).

⁷Report of the Committee on Trusts, 1919. Also various reports by the Standing Committee on Trusts, 1920-1921, set up under the Profiteering Acts of 1919 and 1920.

⁸Companies Act 1928, 18 and 19 Geo. 5, c.45, s.40(6).

⁹Hilton, p. 46.

¹⁰Carter, p. 3. Fitzgerald, p. 3. Hilton, p. 48. Lewis, p. 7. Payne, p. 520.

¹¹The Accountant, March 2, 1901, p. 258. Macrosty (1907), pp. 15 and 23. Mathias, p. 390.

- ¹²Liefmann, p. 410.
- ¹³Macrosty (1907), p. 15.
- ¹⁴Liefmann, p. 410. See also Reader, p. 389.
- ¹⁵Liefmann, p. 410. *The Accountant*, October 26, 1918, p. 222.
- ¹⁶Payne, p. 523.
- ¹⁷Bain, p. 616.
- ¹⁸Crewdson, p. 127. Macrosty (1907), p. 23. Nelson, p. 129.
- ¹⁹*Report of the U. S. Industrial Commission*, Vol. XIX, Government Printing Office, Washington D.C. 1901, p. 627, as quoted in MacGregor, p. 132.
- ²⁰Edwards (1981), pp. 3-4 gives details of these requirements.
- ²¹Walker, p. 20.
- ²²Walker, p. 21.
- ²³*Report of the Company Law Amendment Committee*, 1926, para. 87.
- ²⁴*Report of the Company Law Amendment Committee*, 1926, para. 87.
- ²⁵Hawkins, p. 257.
- ²⁶Hawkins, p. 257.
- ²⁷Bores, cited by Parker, p. 206. Childs, p. 44. Peloubet, p. 23.
- ²⁸Hendriksen, p. 53.
- ²⁹May, p. 33.
- ³⁰Dickinson (1924), p. 410.
- ³¹Childs, p. 46. Montgomery, p. 656.
- ³²Dickinson (1904 and 1905). Lybrand.
- ³³Dickinson (1975 reprint). Dicksee. Montgomery.
- ³⁴Garnsey (1923a).
- ³⁵Garnsey (1923b).
- ³⁶Companies (Consolidation) Act, 1908, 8 Edw. 7, c.69, s.26(3).
- ³⁷Garnsey (1923a), p. 18.
- ³⁸Garnsey (1923a), p. 18.
- ³⁹Kitchen, p. 114.
- ⁴⁰Parker, p. 206.
- ⁴¹*The Accountant*, January 19, 1924, p. 118.
- ⁴²Wilkins, p. 17.
- ⁴³*The Accountant*, January 19, 1924, p. 118.
- ⁴⁴Kitchen, p. 114.
- ⁴⁵See footnote 32.
- ⁴⁶*The Accountant*, September 3, 1904, p. 237 and October 31, 1908, p. 535.
- ⁴⁷*The Accountant*, February 1, 1913, p. 167 and April 11, 1914, p. 529.
- ⁴⁸Dickinson (1906).
- ⁴⁹Freeman.
- ⁵⁰Kerr, p. 630.
- ⁵¹Kitchen, p. 124. Parker, p. 206. Wilkins, p. 17.
- ⁵²NWRRRC, location No. 3248.
- ⁵³NWRRRC, location No. 9536.
- ⁵⁴Stamp (1921 and 1925).
- ⁵⁵*Minutes of Evidence on the Companies Acts 1908-17*, 1925, day 18 and appendix W.
- ⁵⁶Kitchen, p. 126.
- ⁵⁷Walker, pp. 98-103.
- ⁵⁸Payne, p. 520.
- ⁵⁹"Bookkeeping and Accounts" paper, question 7.
- ⁶⁰"Advanced Bookkeeping and Accounts" paper, question 2.

⁶¹See letters published in *The Accountant*, January 26, 1935, p. 117, July 13, 1935, p. 42, and July 20, 1935, p. 82.

⁶²*Minutes of Evidence on the Companies Acts 1908-17*, 1925, day 16, p. 167.

⁶³*The Accountant*, January 6, 1923, p. 2.

⁶⁴It was not until the 1930s that the *Royal Mail* case caused shareholders, directors and accountants to reassess the informational value of the annual accounts, Edwards (1976), pp. 298-303.

⁶⁵*Minutes of Evidence on the Companies Acts 1908-17*, 1925, appendix AA to minutes of evidence for day 21, p. lxviii.

⁶⁶See, for instance, the articles of association of Guest, Keen and Nettlefolds Ltd., reproduced in Edwards (1981), pp. 39-40.

⁶⁷*Minutes of Evidence on the Companies Acts 1908-17*, 1925, appendix AA to minutes of evidence for day 21, p. lxviii.

⁶⁸For examples, see 1910 directors' report of Pearson and Knowles, 1921 chairman's report of United British Oilfields of Trinidad, 1929 chairman's report of United Molasses and 1930 directors' report of Armstrong Whitworth Securities.

⁶⁹Garnsey (1931), p. 103.

⁷⁰Stacey, p. 109.

⁷¹Parker, p. 205.

⁷²Parker, p. 204.

⁷³See for instance *The Accountant*, October 24, 1903, p. 1276, and February 20, 1904, pp. 245 and 254.

⁷⁴*The Accountant*, October 10, 1903, p. 1220.

⁷⁵Garnsey (1923a), p. 54.

⁷⁶Kitchen, p. 114.

⁷⁷Garnsey (1923a), p. 55.

⁷⁸NWRRRC, location no. 3248, letter dated June 22, 1910.

⁷⁹NWRRRC, location no. 3248, letter dated June 23, 1910.

⁸⁰NWRRRC, location no. 3248, letter dated June 23, 1910, our emphasis.

⁸¹Garnsey (1923a), p. 17.

⁸²Section 26(3).

⁸³Dickinson (1924), p. 477.

⁸⁴*The Accountant*, August 31, 1929, p. 281.

⁸⁵Edwards (1976), pp. 296-297 and 301-302.

⁸⁶*The Accountant*, October 10, 1903, p. 1220.

⁸⁷Dickinson (1975 reprint), p. 184.

⁸⁸Walker, pp. 214-219.

⁸⁹Kitchen, pp. 130-134. Walker, p. 73.

⁹⁰Walker, p. 25.

⁹¹Kitchen, especially pp. 124-130.

⁹²*The Accountant*, January 16, 1932, p. 85, June 11, 1932, p. 817 and December 31, 1932, p. 874.

⁹³Walker, p. 94.

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